

MAKING IT EASIER TO DO BUSINESS IN VICTORIA

SMALL BUSINESS REGULATION
REVIEW (RETAIL SECTOR)
ACTION STATEMENT

**SMALL
BUSINESS VICTORIA**





Authorised by the Hon Philip Dalidakis MP
Minister for Small Business, Department
of Economic Development, Jobs,
Transport and Resources
1 Spring Street Melbourne Victoria 3000
Telephone (03) 9651 9999

© Copyright State of Victoria,
Department of Economic Development,
Jobs, Transport and Resources 2018

Except for any logos, emblems, trademarks,
artwork and photography this document is
made available under the terms of the Creative
Commons Attribution 3.0 Australia license.

This document is also available in an accessible
format at economicdevelopment.vic.gov.au

CONTENTS

Ministerial foreword	4
1. Small Business Regulation Review (Retail Sector)	5
2. The small business perspective was front and centre	6
3. We heard what matters most to small business	8
4. Proposed reforms will make it easier to do business in Victoria	10
Reform area 1 – Make it easier to discover what is needed to start and grow a business	14
Reform area 2 – Reduce the time taken for approvals	15
Reform area 3 – Make it easier to understand and comply with food safety regulation	20
Reform area 4 – Make retail leases fairer and easier to understand	22
5. The estimated savings to small business are between \$74 million and \$131 million per annum	23
6. Delivering the reforms	25



MINISTERIAL FOREWORD

Victoria is Australia's small business state with more than 556,000 small businesses.

Small businesses make up 97 per cent of the State's business sector and nearly half of all private sector jobs. The Small Business Regulation Review is the delivery of an election commitment that began in 2016 as part of the Victorian Government's new approach to regulation reform. The review recognises the essential contribution that small businesses make to Victoria.

The Small Business Regulation Review is about looking through the eyes of small business at the myriad of regulations and processes they need to go through to start and operate a business.

Normally, regulation is necessary to protect the community and businesses from potential risks. In some cases, regulation imposes burdensome costs above what is reasonable. Through our focus on the retail sector and engagement with around 1,000 small retailers, expert advisers, councils and regulators, we have uncovered the areas of regulation that small businesses find most inefficient and difficult. These include:

- > It often takes too long to open a business in Victoria – it is not unusual to take 18 months to get through the application process to establish a café or restaurant.
- > There is no roadmap to help small business understand what to expect on the approvals journey.
- > Each application is assessed individually – approvals processes are not joined-up.
- > Requirements differ across councils, which causes uncertainty and inefficiency.

- > Some regulations are not needed and should be removed.

Small businesses, councils, Victorian regulators, and other experts have been closely involved to co-design reforms targeted at addressing the key areas of concern for business. Together we found opportunities to make opening and running a retail business easier, quicker and fairer. The Government has already started to implement reforms identified through this review, including changes to payroll tax that were announced in the 2017-18 Victorian Budget.

Once fully implemented, the package of reforms will deliver benefits to Victorian businesses in the order of \$74 million – \$131 million per annum. These benefits are also expected to translate into more investment and jobs growth in the retail sector, and will make it easier for small businesses to work with both the Victorian Government and local councils.

We are building on the findings of the retail review through additional sector reviews under the Small Business Regulation Review program. The second review, targeting the visitor economy sector, commenced in June 2017. The visitor economy sector, which includes tourism and other visitor-focused businesses, currently contributes more than \$20 billion to the state and provides just over 200,000 jobs. The visitor economy is dominated by small businesses, with about 96 per cent of tourism businesses employing fewer than 20 people.

I look forward to continuing to work closely with Victoria's small business community through the Small Business Regulation Review program to reduce regulatory burden and achieve direct and tangible benefits for Victorian businesses and the broader economy.

The Hon Philip Dalidakis MP
Minister for Small Business

1. SMALL BUSINESS REGULATION REVIEW (RETAIL SECTOR)

Regulation is an important tool of government.

When working properly, the regulatory system plays a crucial role to achieve a well-functioning and competitive economy. It protects consumers, employees, and the broader community from potential risks. An overly complex or poorly administered regulatory environment, however, imposes unnecessary costs on businesses.

Recognising this, a new approach was introduced by the Victorian Government in 2016 to reduce regulatory burden and improve productivity and competitiveness. The Small Business Regulation Review is a key component of the Victorian Government's commitment to reduce unnecessary burden from regulation. The review sought to understand how small businesses experience regulation by standing in their shoes. Looking outwards from the perspective of the small business owner, the sheer volume and complexity of regulations can be observed, highlighting the need for tangible reform.

The retail sector was selected as the pilot sector for the Small Business Regulation Review due to the large number of small businesses in the sector, and the number of state-based regulations they need to comply with. This Action Statement represents a significant contribution to delivering the Victorian Government's commitment to ensure a best practice regulatory system for Victoria.

2. THE SMALL BUSINESS PERSPECTIVE WAS FRONT AND CENTRE

This package of reforms is designed to support the following vision for the small business retail sector in Victoria:

A vibrant small business retail sector where it is easy for small businesses to start up, operate and grow.

This Action Statement sets out four reform areas to reduce regulatory costs and barriers to small business. The reforms will help attract new investment and jobs in the retail sector and make it cheaper and easier to do business.

Small businesses generally have fewer resources compared to larger businesses – be it time, information, money or staff – to deal with regulation. Small businesses and other affected stakeholders were actively engaged in this review to increase the Government’s understanding of the unique experiences and needs of small businesses. This engagement was critical in designing the regulatory reforms.

Views and experiences were sought through:

- > A detailed survey of over 600 Victorian small businesses (‘Small Business Survey’) that identified regulatory pain points through quantifying the time and money spent on compliance.
- > Industry round tables in Melbourne and in five regional cities. This involved 66 attendees representing 39 small businesses, 14 business associations and 13 government entities.
- > Targeted engagement with the Small Business Ministerial Council and the Multicultural Business Ministerial Council.
- > Fourteen written submissions in response to a public issues paper, largely from industry associations.

- > Reference group meetings involving 10 industry groups, 10 councils and Victorian Government agencies.
- > Broad engagement with stakeholders, including around 150 meetings with small business owners and their representatives, over 30 meetings with councils, and 40 meetings with Victorian Government officials from across several departments and agencies.

This engagement uncovered a broad range of small business concerns related to regulation. This information was synthesised to develop an agreed short list of the issues of most concern to business. A co-design process was used to develop solutions that address the main regulatory pain points experienced by small businesses. This process considered the end-to-end experience of small business owners interacting with various levels of government.

The centrepiece of the co-design process was a series of intensive week-long workshops held in December 2016 and January 2017. These were highly energising sessions that brought together small businesses and their representative groups, councils, several areas of the Victorian Government, and Commonwealth Government representatives. This was complemented by targeted consultation with business and government representatives.

Following the release of the draft Action Statement in May 2017 for consultation, a further 15 public submissions were received. Businesses expressed broad support for the reforms, in particular, around making it easier to start a business through simple and accessible information on regulatory requirements and reducing and improving licence and permit approvals at council level. Reforms in food safety were similarly strongly supported and future reform opportunities were provided. In developing the final Action Statement, specific questions and concerns about proposed retail lease reforms raised in the submissions were further considered.

The Action Statement groups issues identified by small business into the following categories: access to information, approvals processes, food safety, and retail leases. The reforms outlined in the Action Statement are targeted at reducing regulatory burden for small retail businesses across these four areas. While the specific focus is the retail sector, many of the benefits will be experienced by small businesses in other sectors.

Opportunities raised by stakeholders that are not addressed by these reforms – either because they were not identified as a priority area for small businesses, or because they were beyond the scope of this review – are being fed into the government's broader regulatory reform program.

3. WE HEARD WHAT MATTERS MOST TO SMALL BUSINESS

Forming a better understanding of the regulatory costs and delays currently experienced by small retail businesses was at the core of developing the reforms.

Key areas of concern and their associated cost to business are summarised below.

The initial establishment phase was considered the most costly by small businesses:

- > The sheer volume of regulation facing small businesses can be overwhelming.
- > Businesses struggle to access quality information on the regulatory steps needed to open a new retail business. Many do not know what they need to do and there is no roadmap that brings together all the information in one place.
- > Businesses face difficulties and significant delays in the approvals process to open a business.

Cafes, restaurants and takeaway food services face comparatively high total regulatory cost:

- > These businesses reported an indicative regulatory compliance cost of \$157 million per annum, with an average cost per business of \$6,000 per annum and as high as \$10,000 per annum for fresh meat, fish and poultry businesses.

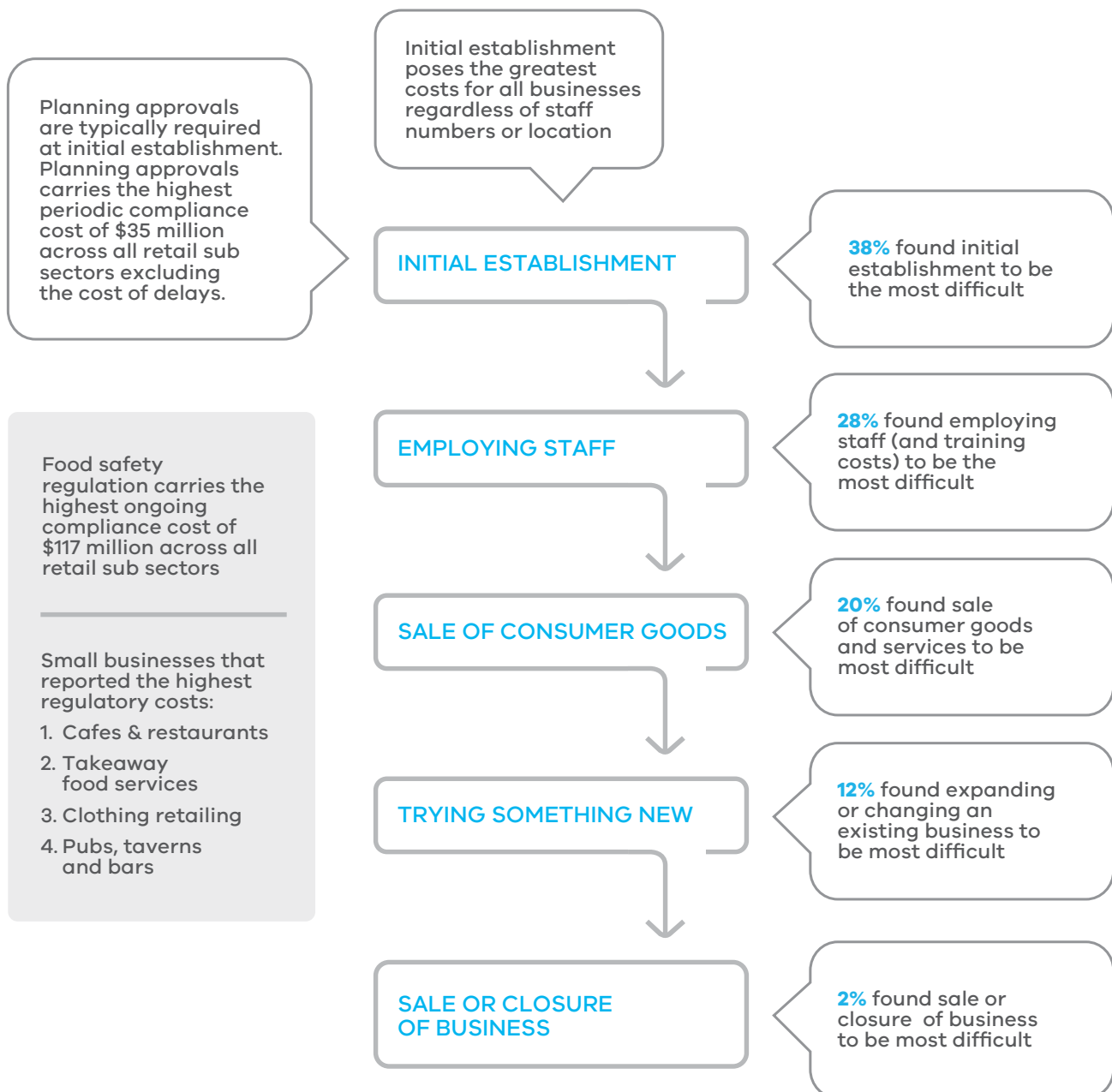
Retail leasing was the fourth most costly area of regulation:

- > The total cost of retail leasing was \$32 million, with specialised food business and clothing retailers reporting the highest costs.

“Information online is very hard to navigate and find answers to questions. For example, what constitutes a food and drink premises versus a hotel?”

Figure 1: Key pain points across the regulatory life cycle

A SURVEY OF OVER 600 SMALL BUSINESSES TOLD US...



4. PROPOSED REFORMS WILL MAKE IT EASIER TO DO BUSINESS IN VICTORIA

This Action Statement proposes reforms in four areas which address the key opportunities identified by small businesses to reduce regulatory burden:

The review has focused on changing regulatory practice as well as targeted legislative changes to remove unnecessary regulation. An overarching direction of these reforms is joining up government regulators to create a more seamless experience for small business. Businesses do not want to know which area or level of government is responsible for their regulatory environment. Rather, they want an easy to navigate, simple process for compliance. These reforms seek to achieve this.

Reform area 1

Make it easier to discover what is needed to start and grow a business.

Reform area 2

Reduce the time taken for approvals.

Reform area 3

Make it easier to understand and comply with food safety regulation.

Reform area 4

Make retail leases fairer and easier to understand.



PROPOSED REFORMS – making it easier for retailers to do business

1



ACCESS TO INFORMATION

Make it easier to discover what is needed to start and grow a business

Modernise business.vic.gov.au and promote Australian Business Licensing Service (ABLIS)

Overhaul the business.vic.gov.au website to improve the quality and accessibility of information. Promote the ABLIS website through business.vic.gov.au and other promotional activities to increase the number of small businesses that use the service.

Write for business not bureaucrats – improve the quality of government’s communication with businesses

Develop a public rating system for business-facing Victorian regulators’ websites and review against an agreed set of criteria for government websites that provide information to business. Small businesses and industry groups will be involved in this rating system. Excellence in communications and engagement will be recognised.

Improve government web services interconnectedness

Provide businesses a regulatory journey map that sets out the key steps to obtain approvals. Better link government websites.

Take it to the people – use existing networks to distribute information

Leverage intermediaries who businesses trust to develop the best methods of distribution of information, including face to face engagement, training and electronic means.

2



2. APPROVAL PROCESSES

Reduce the time taken for approvals

Introduce a council concierge service to assist businesses

Introduce a concierge service within local councils to help applicants understand approvals requirements and lodge correct and complete applications.

Introduce a single application process

Consolidate application processes and establish a single application process for all local government administered approvals and registrations typically needed to start a new business.

Move from sequential to more concurrent approvals processes

Work with councils and the VCGLR to promote quicker approvals.

Remove low risk approvals

Remove current permits that add unnecessary delay and costs to establishing a business.

Improve transparency on new business application processing times

Introduce an indicator into the existing Local Government Performance Reporting Framework that captures the time taken for new business applicants to receive the core bundle of permits they need to start.

3



3. FOOD SAFETY

Make it easier to understand and comply with food safety regulation

Clarity for all – let's administer the Food Act better

Develop guidance notes on key areas of administration of the *Food Act 1984*.

Fee transparency for food regulation

DHHS will work with local councils to develop a template that lists all the fees each council may charge under the *Food Act 1984*.

Enhance the Streatrader website

Councils will publish full inspection reports of mobile and temporary businesses on Streatrader to facilitate risk-based regulation.

Simplify record-keeping requirements

Amend the application of reporting requirements for lower-risk Class 3 retailers, such as convenience stores.

Establish an online portal for fixed-premises food businesses

Create a database or portal that centralises food registration and compliance processes.

4



4. RETAIL LEASES

Make retail leases fairer and easier to understand

Timely information for tenants

Provide more time for prospective tenants to consider the disclosure statement and proposed lease before entering a lease.

Explore legislative and non-legislative options to ensure that tenants are provided with all relevant price and non-price terms (including the proposed rent) a reasonable time before tenants must exercise an option to renew the lease.

Introduce a time limit for returning bonds and bank guarantees

Provide minimum timeframes for the proposed lease and information brochure to be provided to prospective tenants before entering a new lease.

Improve standard retail leases

Seek modification to standard commercial leases currently in the market to enhance understanding of legal rights and obligations under the Act.

Reform area 1

Make it easier to discover what is needed to start and grow a business

Half of all respondents to the Small Business Survey wanted government to improve the quality of its regulatory information. It is not uncommon for a new business owner to be unaware that a particular license is required, which can add time and cost to an already stressful process. Many just don't know where to look for the information.

These reforms aim to make information more accessible and tailored to the specific needs of small business. The reforms to improve access to information target both the quality of information provided across the Victorian government and councils, and the distribution channels – accountants, business associations – through which small businesses naturally engage.

The benefits include reducing upfront search costs and helping to ensure a 'no surprises' approach. KPMG estimates that the benefits of these reforms to new retail businesses will be between \$6.8 million and \$13.6 million per annum (see page 23 for further detail).

"Information online is very hard to navigate and find answers to questions. For example, what constitutes a food and drink premises versus a hotel?"

ACCESS TO INFORMATION

1.1 Modernise business.vic.gov.au and promote Australian Business Licensing Service (ABLIS)

Overhaul the business.vic.gov.au website to improve the quality and accessibility of information. Develop new tailored information to meet the needs of specific businesses.

Promote the ABLIS website through business.vic.gov.au and other promotional activities to increase the number of small business that use the service. The Victorian Government will continue to work with the Commonwealth on further development of enhancements for ABLIS.

1.2 Write for business not bureaucrats

Review government websites that provide information to business to identify how businesses friendly they are. They will publish results to enable a comparison of which websites provide the most business friendly and accessible information. Small businesses will be involved in this rating system to be developed by Small Business Victoria. Excellence in communications and engagement will be recognised.

1.3 Improve government web services interconnectedness

Provide business a regulatory journey map that sets out the key steps to obtain the approvals administered by councils, Victorian Government and the Commonwealth Government. It will include fees and estimated time frames.

Better link government websites, in particular by ensuring that regulators' sites link back to business.vic.gov.au so that it acts as a hub in a network of regulatory websites and information.

1.4 Take it to the people – use existing networks to distribute information

Leverage intermediaries that businesses trust to develop the best methods of distribution of information, including face to face engagement, training and electronic means.

Potential estimated annual cost savings to small retail business of between \$6.8 million and \$13.6 million.

Reform area 2

Reduce the time taken for approvals

The length of time it takes to open a business in Victoria represents a significant barrier to economic growth as it may prevent businesses from getting off the ground. One in two small businesses surveyed called for reform in this area, with cafés and restaurants reporting the longest approval times. Small business applicants often find the approvals process confusing, disjointed and time consuming. They have to deal with several regulatory agencies and many have a limited understanding about how each of the processes relate to each other. This creates a high level of uncertainty – and even anxiety – for the applicant. It can take up to 18 months for a small retail business just to get the doors open.

The proposed reforms are targeted at decreasing the time taken to open a business and providing businesses with advice and information about their approvals journey. The reforms will give potential business owners greater confidence to invest in opening a new business. The reforms will build on and accelerate the existing work of councils and key Victorian Government administered regulation focused on improving regulatory practice. The specific reforms are illustrated below, along with KPMG's estimated cost saving to small businesses (see page 23 for further detail).

Expected benefits from these reforms include reducing the cost and time to establish a business – with a target of up to six-month delay reduction for complex business applications. At an economy-wide level, the savings to new small retail businesses of a reduction in delay timings are estimated to be between \$46 million and \$93 million per annum. The time reduction achieved for an individual business will vary significantly depending on several factors, including whether the new business owner buys an existing business, or whether a new business is created through, for example, building a new premises, or repurposing a current property from another use.

APPROVALS PROCESSES

2.1 Introduce a council concierge service to assist businesses

Introduce a concierge service within local councils to help applicants understand approvals requirements and lodge correct and complete applications. This may include online information, over the phone support and/or face-to-face contact with applicants.

2.2 Introduce a single application process

Consolidate application processes and establish a single application process for local government administered approvals typically needed to start a new business.

2.3 Move from sequential to more concurrent approvals processes

Work with councils and the Victorian Commission for Gambling and Liquor Regulation to promote more joined-up, efficient and concurrent processing of approvals.

2.4 Remove low risk approvals

Remove current permits that add unnecessary delay and costs to establishing a business. This will include replacing permit regimes with 'deemed' standards for some low risk activities administered by councils, and increasing the types of applications that fit within the fast-tracked VicSmart process.

2.5 Improve transparency on new business application processing times

Introduce an indicator into the existing Local Government Performance Reporting Framework that captures the time taken for new business applicants to receive the core bundle of permits they need to start. It will also identify the fees each council charges.

Potential estimated annual cost savings to small retail business from reforms 2.1 – 2.3 of between \$46 million and \$93 million; and from reform 2.4 of between \$6.3 million and \$7.7 million.



Transforming the approvals experience for small businesses

The reforms will improve the small business owner's experience of opening their business. Figure 2 shows how an applicant may currently progress from one application process to another in a sequential, disjointed manner. The applicant may have to deal with several areas of council and potentially several Victorian Government regulators.

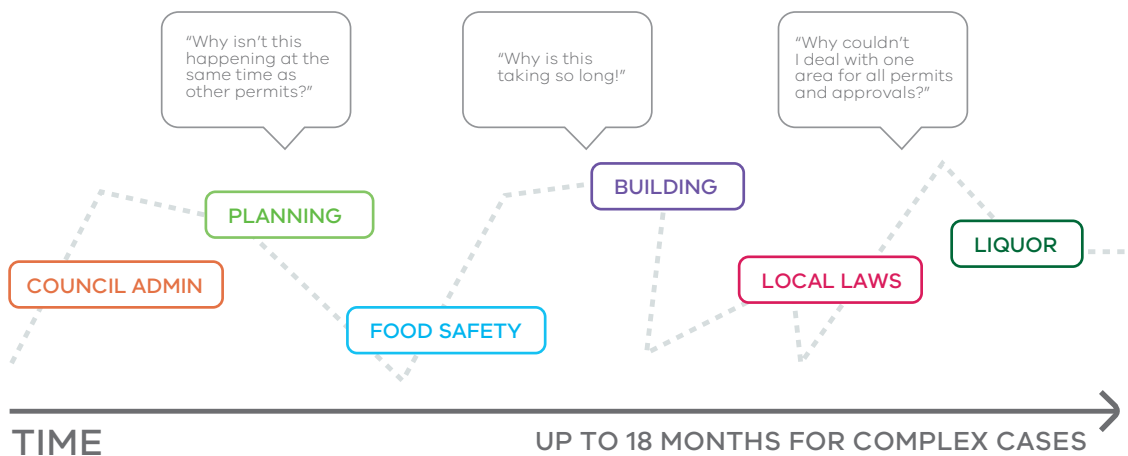
Figure 2 also shows the future approach, representing a significant shift from current practice. The small business owner will have a single entry point into council, followed by a more concurrent, integrated assessment of all applications. This more client oriented way of operating will result in a significantly improved approvals experience for small business applicants.

It is important to recognise that some elements of these reforms are currently operating in some councils. These reforms have drawn on current best practice, with the intention of driving best practice across the states.

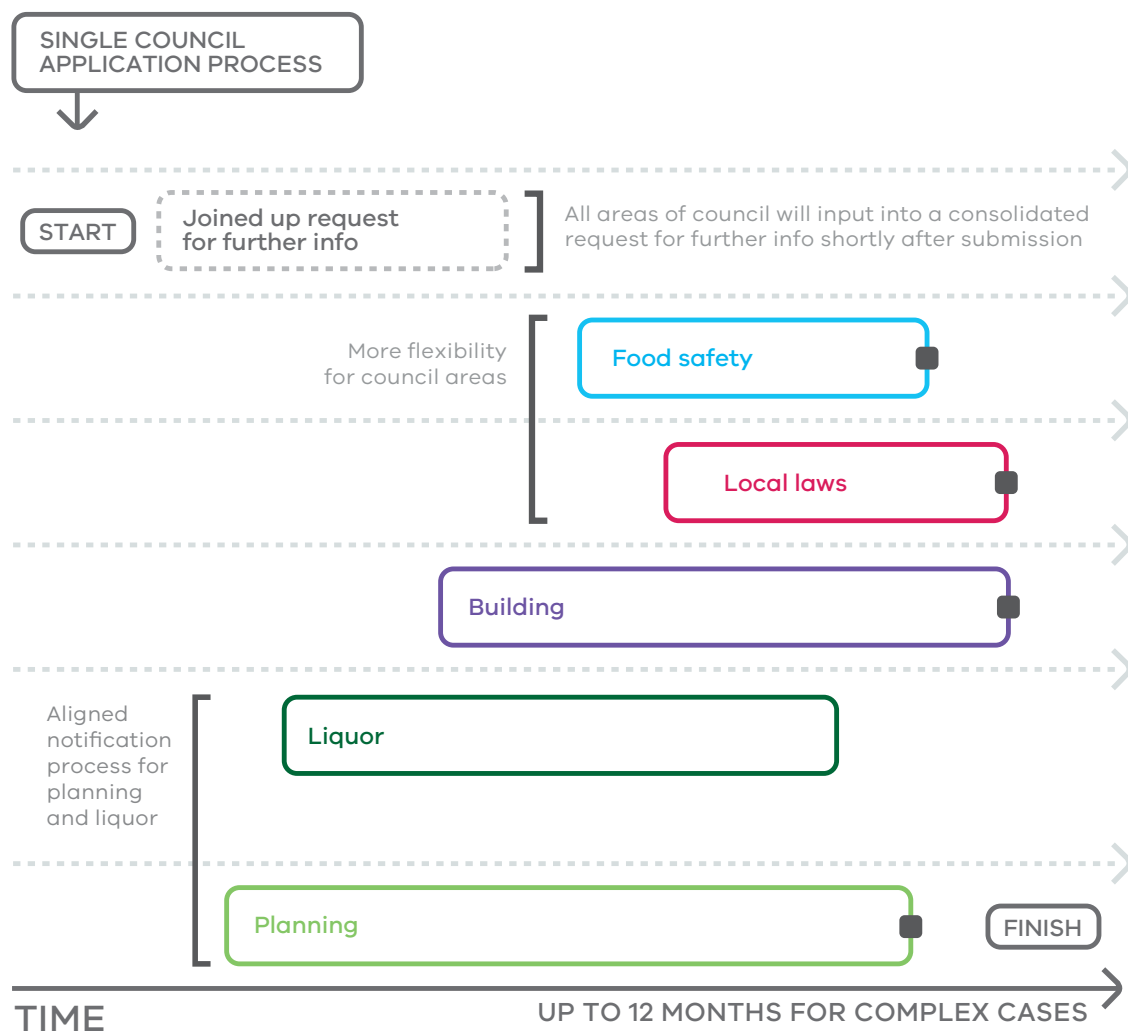
"We pay an additional \$200 interest each month because of delays... we lost our soul a little bit... we're quite broken and never recovered from it"

Figure 2: From sequential to concurrent approvals

TODAY



FUTURE



■ Increase delegations for low risk approvals

Reducing the number of approvals required

The reforms will reduce the number of approvals a new small business needs – either through the removal of a regulation entirely or through greater use of the VicSmart planning system where appropriate (Figure 3). An estimated 10,000 approvals per annum (related to footpath trading and temporary signage) that are currently required by small retailers are expected to be removed.

The reforms aim to ensure that regulation is proportionate to the risk it addresses, which is a key principle of best practice regulation. In recommending a lessening of regulation, subject matter experts have been consulted to make sure there is no increase in risk, or transfer of risk between parties. Some of the reforms outlined in this Action Statement may improve the underlying protections offered by regulations (for example, public health outcomes).

Moving to a more risk-based approach will provide direct benefits to councils, freeing-up assessment and approval resources from low-risk applications. This will enable these resources to be re-allocated to more complex applications and to the case management and concierge services included in this reform package.

The Better Approvals Project will be the mechanism for initial rollout of the approvals processes reforms

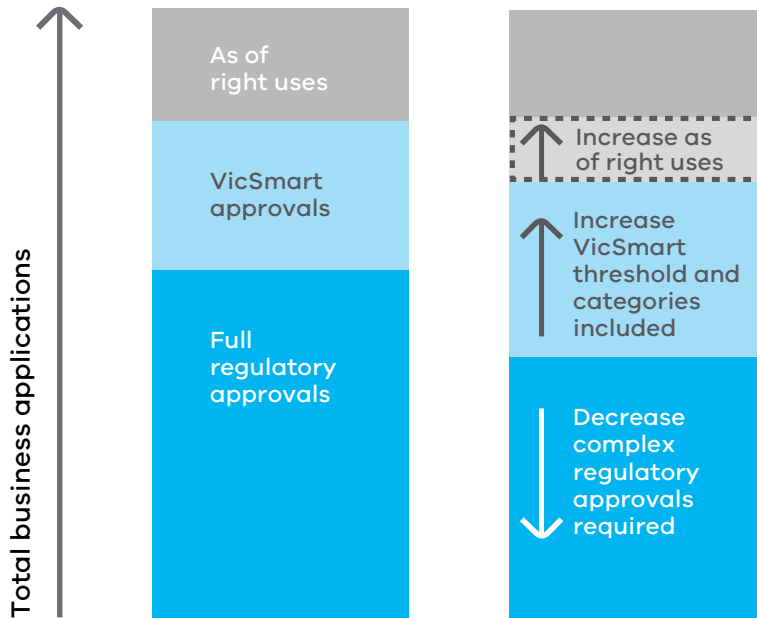
A more integrated and streamlined approvals process has benefits to both small businesses and individual councils. While many councils already implement more streamlined processes, this is not currently happening consistently across the state. In many cases, small businesses continue to face unnecessary delays and costs associated with approvals.

The approvals reforms will initially be implemented through the Better Approvals Project. Small Business Victoria (SBV) will lead this project in close collaboration with three to five volunteer councils to be identified through an expression of interest process. Councils will be responsible for implementing these changes and their ongoing involvement is critical to success. The volunteer councils will be heavily involved in the co-design of key elements of the project with SBV.

A key challenge for this project will be to design systems and processes that drive consistency across councils, while being flexible enough to manage diversity across councils. The initial rollout with the volunteer councils will help address this challenge and ensure that the reforms effectively reflect the variances in circumstances and priorities across councils. The learnings from this project will directly inform the broadly rollout of the approvals reforms.

Figure 3: Reducing the number of approvals required for small businesses

OUR REFORMS SEEK TO REDUCE THE NUMBER OF APPROVALS REQUIRED TO START A BUSINESS



These reforms will reduce the number of approvals required in three ways:

1. Increase 'as of right' uses – we will remove the requirements to get a local laws footpath trading permit and temporary signage permit; and reduce when a permit is needed for minor works such as a flue.
2. Increase approvals that are eligible for VicSmart that currently require full planning approval
3. Move some current VicSmart approvals to 'as of right'

Reform area 3

Make it easier to understand and comply with food safety regulation

Food safety regulation is critical to the safety of Victorians. It is therefore no surprise that food safety was identified as the most costly area of regulation by small businesses, costing small retail businesses \$117 million per annum. There is broad consensus, however, that the regulatory framework could be more efficient and effective, while continuing to play its essential role in protecting public health.

Coordination of the food safety regulatory framework is a critical issue, as responsibility is shared across local and Victorian Government. Further, opportunities for greater harmonisation in the approach used across councils have been identified as a key area for improvement.

The reforms to food safety build on existing activities aimed at bringing together all the relevant parties to achieve a more consistent and accurate application of food safety regulation. The *Food Act 1984* provides the regulatory framework for the food industry to ensure that food sold in Victoria is safe, suitable and correctly labelled.

The following reforms address the key issues associated with implementation of the *Food Act 1984* identified in this review. These reforms include improving the information available to support the food safety regulatory framework, addressing a lack of transparency in related fees, and promoting more risk-based approaches to regulation.

The expected benefits of these reforms include lower compliance costs for small businesses through greater regulatory consistency (for example, a small business can rollout the same food handling systems in different council areas). The largest expected benefit of about \$13 million per annum may be achieved by removing reporting requirements for class 3 retail businesses, such as convenience stores.

“Differing food safety standards across multiple local government areas can cause significant issues for food businesses, particularly those that operate multiple sites”

FOOD SAFETY

3.1 Clarity for all – let’s administer the Food Act better

Develop guidance notes on key areas of administration of the *Food Act 1984*. The guidance notes will be co-designed by the Department of Health and Human Services (DHHS), councils' Environment Health Officers, Municipal Association of Victoria and industry. They will come together to identify a best practice approach on critical administrative and implementation issues. The guidance notes will be published to increase transparency for small business.

Potentially, 72,600 registered food businesses may benefit from this reform.

3.2 Fee transparency for food regulation

DHHS will work with councils to develop a template that lists all the fees each council may charge under the Act.

The template will be prominently displayed on each council's website. The template will give a high-level breakdown of the components of the fees, particularly inspection and administration fees.

Potentially, 79,000 registered food businesses may benefit from this reform, as well as new food businesses looking to register each year.

3.3 Enhance the Streatrader website

Councils will publish full inspection reports of mobile and temporary businesses on Streatrader. Providing other councils with compliance histories will facilitate risk-based regulation. The reform will also decrease the administration costs for vendors and event organisers.

Potentially, 29,000 registered temporary and mobile food businesses may benefit from this reform, as well as new mobile food businesses looking to register each year.

3.4 Simplify record-keeping requirements

Amend the record-keeping requirements (e.g. refrigeration temperature) gazetted under the *Food Act 1984* for lower risk businesses (e.g. some retail Class 3 businesses).

Potential estimated annual cost savings to small retail business of \$13 million.

3.5 Establish an online portal for fixed-premises food businesses

Create a database or portal that centralises food registration and compliance processes.

KPMG's initial estimates of annual cost savings to small retail business were \$0.6 million to \$1.8 million. As further detailed on page 26, more refined estimates have subsequently been prepared by DHHS.



Reform area 4

Make retail leases fairer and easier to understand

Many small businesses identified retail leasing as a key issue facing the retail sector. Respondents to the small business survey identified retail leasing as the fifth most costly area of regulation for business. Many of the issues raised are not new, and there have been a number of inquiries focused on this over recent years.

Three targeted reforms have been developed to address the key issues raised through industry consultations, submissions, and the Victorian Small Business Commission. Amendment to the Act and supporting information collateral is needed to clarify some key areas and keep up with emerging issues. These reforms centre on increasing transparency and timing of information provision so that all parties can make better business decisions. They will make retail leases easier to understand and fairer.

In Victoria, the *Retail Leases Act 2003* enhances the certainty and fairness of retail leasing arrangements between landlords and tenants. Other jurisdictions are in the process of undertaking full reviews of their equivalent Acts. Queensland has recently reviewed its Act, New South Wales amendments were passed in Parliament in February 2017, and the South Australian independent review is being considered by the South Australian Small Business Commissioner. A holistic review of the Act was not within the scope of the Small Business Regulation Review; as such the Act's effectiveness at a system-wide level was not considered. Instead, the review addressed discrete issues relating to the Retail Leases Act that were raised in submissions and consultations that can be addressed in the short to medium term.

RETAIL LEASES

4.1 Timely information for tenants

Provide more time for prospective tenants to consider the disclosure statement and proposed lease before entering a lease.

Explore legislative and non-legislative options to ensure that tenants are provided with all relevant price and non-price terms (including the proposed rent) a reasonable time before tenants must exercise an option to renew the lease.

4.2 Introduce a time limit for returning bonds and bank guarantees

Amend the *Retail Leases Act 2003* to include a time limit for returning bonds and bank guarantees back to the tenant once a lease has concluded (within 30 days of a tenant fulfilling its obligations under the lease). This reform will not impact on a landlord's right to recover costs.

4.3 Improve standard retail leases

Seek modification to standard commercial leases currently in the market to enhance understanding of legal rights and obligations under the Act.

5. THE ESTIMATED SAVINGS TO SMALL BUSINESS ARE BETWEEN \$74 MILLION AND \$131 MILLION PER ANNUM

KPMG was engaged to estimate the potential savings to be achieved by the reforms.

These estimates include the administration costs of complying with regulation (filling in forms, engaging consultants) and delay costs (for example, money spent on external service providers).

The total package of reforms will have a significant, practical impact on starting and operating a new business in Victoria.

The estimated benefit of the suite of reforms for small retail businesses is between \$74 million and \$131 million per annum. This represents a saving of between 1.5 per cent to 2.5 per cent of annual revenue for small retail businesses. Appendix 1 details the estimated savings from the reforms.

The majority of the overall saving is derived from the reduction to business approval times (\$46 million to \$93 million per annum for new retail business). This is based on a conservative assumption that the suite of reforms will reduce the approvals times for small business by between 10–30 per cent.

The primary ways these reforms will reduce approvals times are:

- > Shift from sequential to more concurrent processing of approvals through a more joined-up approach to approvals.
- > The access to information reforms will help small business applicants better understand their requirements and the process.
- > Changes to council practices, such as targeted information provided up front and integrated requests for further information.
- > Removing around 10,000 applications made annually by small business for footpath trading and temporary signage.

These estimated savings are based on small retail businesses only. Many of the reforms (such as access to information and approvals process changes) will also benefit businesses in other sectors.

Figure 4: four scenarios help illustrate potential savings to business

Four scenarios have been developed to represent the most common approvals process experienced by small businesses. They are illustrative only, as the specific impact on any business will be influenced by many factors. The scenarios range from a simple application through to the more complex. The four scenarios include the estimated savings per business from the reductions in approval times. This figure uses KPMG’s estimate of \$9,000 cost to small business for each month delay to opening.

		TAKING OVER AN EXISTING PREMISES WITH THE SAME ACTIVITY		NEW BUSINESS DEVELOPMENT	
		EXISTING RETAIL BUSINESS	RETAIL TRADE	FOOD RETAILING	FOOD AND BEVERAGE SERVICES
SCENARIO DESCRIPTION	<p>TAKING OVER AN EXISTING GROCERY STORE ACTIVITY</p> <p>Requires transfers of registration to existing permits and any changes to permits triggered by changes in the scope of the activity.</p>	<p>NEW DEVELOPMENT FOR OPENING A BOOKSTORE</p> <p>Requires referrals to internal/external experts, as well as requests for information, public notifications and a council hearing.</p>	<p>CONVERTING A BOOKSTORE INTO A GROCERY STORE WITH A CHANGE OF USE APPLICATION AND A CHANGE OF INTERNAL FITOUT</p> <p>Involves a new development with an access way and requires referrals to internal/external experts, as well as requests for information, public notification and a council hearing.</p>	<p>CONVERTING A BOOKSTORE INTO A LATE-NIGHT RESTAURANT WITH A CHANGE OF USE APPLICATION AND A CHANGE OF INTERNAL FITOUT</p> <p>Involves a new development with an access way and requires referrals to internal/external experts, as well as requests for information, public notifications for planning and liquor, and a council hearing.</p>	
TIME	UP TO 2 MONTHS	UP TO 6 MONTHS	UP TO 9 MONTHS	UP TO 18 MONTHS	
REFORM IMPACT	<p>REDUCED BY 1 – 2 WEEKS</p> <p>\$2,000 – \$4,500</p> <p>Based on cumulative impact of:</p> <ul style="list-style-type: none"> access to information reforms approvals process reforms remove low-risk approval 	<p>REDUCED BY 2.5 – 5 WEEKS</p> <p>\$5,000 – \$11,000</p> <p>Based on cumulative impact of:</p> <ul style="list-style-type: none"> access to information reforms approvals process reforms remove low-risk approval 	<p>REDUCED BY 3 – 6 MONTHS</p> <p>\$8,000 – \$16,000</p> <p>Based on cumulative impact of:</p> <ul style="list-style-type: none"> access to information reforms approvals process reforms remove low-risk approval food safety reforms 	<p>REDUCED BY 3 – 6 MONTHS</p> <p>\$27,000 – \$54,000</p> <p>Based on cumulative impact of:</p> <ul style="list-style-type: none"> access to information reforms approvals process reforms remove low-risk approval food safety reforms 	

6. DELIVERING THE REFORMS

The Small Business Regulation Review (Retail Sector) Action Statement aims to fix the areas of regulation that unnecessarily hold small businesses back. We thank the public for sharing views on what matters most to help establish or grow your business.

Progress achieved in implementing reforms will be assessed through systematic monitoring and reporting that is linked to the Victorian Government's broader regulatory burden reduction program.

This review is the first in a series of reviews being run under the Small Business Regulation Review program, which will continue to build on these reforms. Further information about the program can be found at <https://engage.vic.gov.au/smallbizreview>

Appendix 1: Assessment of benefits to small retail businesses

Indicative estimates of potential cost savings for small businesses [Based on KPMG figures]						
	Reform	Sector-wide indicative estimate of regulatory cost (in-scope businesses only) \$m	Lower and upper-bound indicative departmental estimates of the potential reduction in cost for business %		Lower bound \$m	Upper bound \$m
Access to information	Improving access to regulatory information	68	10	20	6.8	13.6
Approvals	Reducing business approvals time	320	10–15 ¹	20–30	46	93
	Development of standards for footpath trading	3	85	95	2.8	3.1
	Streamline portable signage approval requirements	1	92	98	1.2	1.2
	Streamlining car parking approval requirements	3	65	85	1.6	2.2
	Streamline fixed signage approval requirements	5	15	25	0.7	1.2
Total approvals reforms					52.3	100.7
Food safety	Online registration of fixed premises food business	12	5	15	0.6	1.8 ²
	Simplify record keeping requirements for lower risk businesses (e.g. certain class 3 food businesses)	13	80	80	13	13
Food safety sub-total					13.6	14.8
Total KPMG costed reforms					73	129
Retail leases – make retail leases easier and fairer	Align requirements for disclosing information under the act.		80	100	1.2	1.5 ³
Total cost saving					\$74	\$131

1 Range 10 to 20 per cent delay saving for new businesses that take over an established site (e.g. café to café) and 15 to 30 per cent saving for business establishing on a new site (e.g. turning a site formerly used as a newsagent to a café).

2 Since the release of the draft Action Statement, DHHS engaged Nous Group to prepare a business case for reform 3.5. Estimated benefits are \$3.3 million per annum starting from the first year after implementation commences.

3 The benefits of the retail lease reforms were assessed through internal analysis by the Department of Economic Development, Jobs Transport and Resources.





VICTORIA
State
Government

Economic Development,
Jobs, Transport
and Resources